

Agenda Item

Executive Board

19 October 2005

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Free Concessionary Fare Scheme

Summary

A new scheme is to be introduced in April 2006 which will increase the statutory minimum requirement in the Transport Act 2000 from the current half fares to free fares for older and disabled people on local bus services in England.

The Council, as a Travel Concession Authority, currently has the duty under the Act to provide half price fares to defined eligible people.

Being a member of Devonwide Concessionary Travel Partnership which includes Mid Devon, North Devon, South Hams, Teignbridge and Torridge District Councils, West Devon Borough Council, Exeter City Council and Torbay passholders are provided with the opportunity to travel throughout the county.

Devon County Council provides a secretarial, accounting, technical and financial service to the Partnership and on behalf of the members arrange for the issue of the Devonwide pass to eligible persons and negotiate financial reimbursement with transport operators.

A new agreement has been drawn up by the partners of the Devonwide to take account of the new requirements and approval is sought from the Executive Board for this Council's continued participation.

The Government will increase funding to English local authorities by £350 million per year from 2006/07, to meet the costs of providing the additional concessionary fares.

Recommendation

That the Executive Board note the changes in the Concessionary fare scheme, the financial implications on the Council, and confirm its intention to remain a member of the Devonwide Partnership Agreement subject to the conclusion of satisfactory negotiations.

a) Reasons for Recommendation

The Council currently has a statutory duty to provide half price bus fares to defined eligible people, changing to free fares from the 1 April 2006. In order to administer this arrangement it has been seen as beneficial for all Devon authorities to work in a partnership in terms of negotiation with bus operators, technical skills, marketing and administration. It is also extremely beneficial to those eligible for the scheme to be able to travel through authority boundaries as it is a Devonwide scheme.

b) Alternative Options

Consider operating and delivering the scheme outside the partnership.

c) Risk Considerations

There are currently no resources, or an appropriate individual to undertake the administration of this scheme should the Council wish to deliver its statutory duties outside the Partnership. It is also considered that best value is being obtained working through the Partnership.

There are financial risks in that although the Government has allocated additional funding for the new scheme of £350 million per year there is no certainty as to the actual final allocation to be made to East Devon. Current exemplifications from the Office of the Deputy Prime Minister (ODPM) show an increase in formula grant to the Council next year of £645,000 to cover this function, however there are a number of changes proposed to the grant formula for next year and the final effect on Council will be unknown until the actual allocations are made.

d) Policy and Budgetary Considerations

As detailed above additional grant will be received next year to support the introduction of free fares, this is currently indicated at £645,000 for East Devon. The costs involved are estimated to be in the order of an additional £1,076,000, which is subject to change as negotiations progress with the bus operators, but this is the best estimate at the moment and would mean the Council would have to find an additional £431,000 after assumed additional funding to support the scheme.

e) Date for Review of Decision

The new Partnership agreement requires a partner to give 17 months notice before the 1 April it wishes to cease being a member.

1. Introduction

- 1.1 A new scheme is to be introduced in April 2006, subject to Royal Assent, which will increase the statutory minimum requirement in the Transport Act 2000 from the current half fares to free fares for older and disabled people on local bus services in England.
- 1.2 This Council as a Travel Concession Authority currently has a duty under the Act to provide half price fares, to be changed to free fares, to defined eligible people.
- 1.3 In order to meet our duty we are part of the Devonwide Concessionary Travel Partnership which includes, East Devon, Mid Devon, North Devon, South Hams, Teignbridge and Torridge District Councils, West Devon Borough Council, Exeter City Council and Torbay. Devon County Council provides a secretarial, accounting, technical and financial service to the Partnership. On behalf of the Partnership they arrange the issue of the Devonwide pass to eligible persons and negotiate financial reimbursement with the transport operators.
- 1.4 The Council's current contribution to the Devonwide partnership is £302,390, the vast majority of which is in respect of reimbursement to bus operators carrying passengers at half fare. With the introduction of free fares it is forecast that the Council's contribution could jump to a figure in the order of £1m.
- 1.5 In addition to reimbursing income lost through free fares the Devonwide partnership are debating whether they have an obligation to help meet the cost of providing larger or extra buses should the demand, brought about by free travel, increase beyond current capacity. A total budget of £2m has been suggested.

2. Partnership Agreement.

- 2.1 A new Partnership agreement has been drawn up by the current partners, in line with the current agreement, to reflect the changes in legislation. The Agreement is attached in Appendix A for information and consideration.

- 2.2 The total scheme cost for 2006-07 is currently estimated to be £7,316,800. The figures in respect of bus operator reimbursement are presently being negotiated. Details are given in Table One below:

Table One: Estimated costs in 2006/07 for Concessionary Fares Scheme (Devonwide Partnership)

Costs	2006/07 Estimated Costs (£)
Operating Costs	
Staffing – Employee Expenses	97,100
Computing/Building/Postage	11,665
Central Support	11,060
Printing & Pass Renewal	54,150
Scheme Costs	
Commission to Agents	12,000
Payments to Operators – fare reimbursement	5,100,000
- to meet extra demand	2,000,000
Smartcard development	5,000
Contingency	25,000
Total	£7,315,975

- 2.4 The majority of these costs are currently apportioned based on the current number of passes issued and travel consumed, a figure arrived at from a study carried out in 2001. East Devon has by far the highest number of eligible individuals in its area, and passes issued, and of the partners pays the highest contribution, namely 19% of the total budget (the next closest district being Teignbridge at just over 15%). The existing formula for distributing the costs is to be reconsidered by the partnership prior to the commencement of the new scheme next year.
- 2.5 The majority of the costs are for the payments to operators (£7,100,000), the basis of the payment under regulations is to ensure that the operators are no better or worse off as a result of participating in the scheme. £2,000,000 of the total has been budgeted to cover the costs involved of providing additional vehicle capacity to cope with the growth in patronage brought about by concessionary travel. This will be considered on a case-by-case basis and will be service specific. The budgeted costs have currently been split with East Devon receiving a 19% charge, giving a contribution requirement of £385,400. This is included in the Council's additional anticipated costs of £1,076,000. It is considered that this method of apportionment needs to be reconsidered by the Partnership along with updating the information obtained in 2001 study identified in 2.4 above.
- 2.6 Staffing costs for the administrating of the scheme is £97,100, for which East Devon's share, based on 1/9, is £10,800. There are currently no resources, or an appropriate individual to undertake the administration of this scheme should the Council wish to deliver its statutory duties outside the Partnership.
- 2.7 We have recently taken part in survey carried out by the Government Office for the South West (GOSW) on costs involved in operating the existing scheme and are waiting for the results which are due out shortly to give us some form of cost comparison outside the Devonwide scheme.
- 2.8 In total it is estimated that the cost to the Authority of the new arrangements could be in the order of an increase of £1.076m over 2005-06.

3. Government Funding for the Scheme.

- 3.1 The Government will increase funding to English local authorities by £350 million per year from 2006/07 to meet the costs of providing the additional concessionary fares costs.
- 3.2 Proposals on how this additional funding is to be distributed are contained in a Consultation Paper issued by the Office of the Deputy Prime Minister (ODPM) as part of a wider consultation on changes to the Formula Grant Distribution. This Council, as part of the Devonwide Partnership, has responded to the consultation to put forward the best case for the Council as this is important issue with significant sums of money at stake. Copies of the response have also been sent to influential groups and bodies as well as our Member for Parliament. A copy of the Partnership's response is attached in Appendix B.
- 3.3 The Consultation Paper gives an exemplification which shows an increase in formula grant to the Council next year of £645,000. However, there are a number of changes proposed to the grant formula for next year and the final effect on Council will be unknown until the actual allocations are made. Taking this sum as the best estimate at present and comparing it to the additional costs calculated for introducing the free fare scheme of £1,076,000 this leaves an estimated balance for the Council to find next year of £431,000.

4. Recommendation.

- 4.1 In order for the Council to remain within the Partnership it will need to sign up to the Partnership Agreement attached in Appendix A. The financial implications of the revised scheme are of serious concern, but the Council does have a statutory duty to provide the scheme and for it to do so outside the Partnership would seem unlikely to be cost effective and difficult to administer and arrange.
- 4.2 There are however a number issues which need to be explored, including determining a final estimate of the likely costs, questioning the validity of those costs and reconsidering how they are to be redistributed amongst the Partnership. The final point being would it be beneficial for the Council to leave the Partnership and run the scheme on its own which would be difficult for it to do, especially within the timescale available and without the current resources, but depending on the first set of issues being satisfactorily addressed this could be an option particularly for future years.
- 4.3 A further report will be presented to the Executive Board updating them on the situation once more details materialise.

Legal Implications

As outlined in the report

Financial Implications

The financial implications are contained within the report.

Consultation on Reports to the Executive

Background Papers

- Minutes and working papers from the Devonwide Partnership.

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Executive Board

